



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of the
Connecticut Insurance Department

FTR

Before
The Insurance and Real Estate Committee

February 28th, 2012

Raised Bill No. 203—An Act Requiring Payment for Diminution of Value Under an Automobile Liability Insurance Policy.

Senator Crisco and Representative Megna, committee-co-chairs, Senator Kelly and Representative Sampson, ranking members, and Members of the Committee, the Insurance Department appreciates the opportunity to submit written testimony on Raised Bill No. 203.

The Connecticut Insurance Department has concerns about the concept embodied in RB No. 203 and is opposed to the provision requiring the Department to issue regulations on this topic.

Diminution in value generally refers to a reduction in the worth of something caused by an action of a third party or entity. As you may be aware diminution in value is very difficult to determine and there is no set formula in making this determination. Defining the amount of loss associated with the diminution in value is a subjective process where even experts can have a difference of opinion.

In a directive issued by the State of Georgia's Insurance Department, it states, in part:

"The nature of each claim demands that carriers must take into consideration all relevant information in the evaluation of diminished value claims including, but not limited to relevant information provided by an insured regarding diminution of value."

The Connecticut Insurance Department recognizes that reliance on a particular formula or method in making an evaluation may not be appropriate given the subjective nature of each claim. Therefore, the Department is opposed to the provision requiring the promulgation of regulations since the Department has no expertise in establishing methods for determining the amount of diminution in value.

Finally, this legislation would require these values to be taken into account in all 3rd party cases and consumers will be the ones who will pay the difference in increased premiums.